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## **The role of large management consultancy firms in global public policy**

**Glenn Morgan, Andrew Sturdy and Michal Frenkel**

### **Abstract**

The formation of global public policy takes place in diverse fields populated by a range of different actors. One important, but neglected group of actors is large management consultancy firms. This chapter examines why and how such firms have been able to exercise influence over global public policy. Emphasis is placed on their reputational power, their organizational structures which enable them to use and develop expertise and the importance of their social networks amongst other elite actors. The chapter illustrates these themes through a case study of the REDD Initiative sponsored by the UN Framework Convention on Climate Change. It concludes by outlining a research agenda which focuses on the power of consultancies in this arena, but also recognizes the limits to this power.

### **Keywords**

Management consultancies; REDD; transnational social movements; climate change; organization structure; reputational intermediaries; power.

## **The role of large management consultancy firms in global public policy**

### **Introduction**

Recent discussions of the development of global public policy have pointed to the significance of large management consultancy firms (LMCFs) such as McKinsey, PWC and Accenture in this process (Stone, 2013). The use of consultants in *national* policy contexts has long been recognized (Martin, 1998; Saint-Martin, 2000) and debates have developed on their impact as servants of power, unaccountable technocrats, purveyors of neo-liberal ideas and practices, or as a neo-colonial arm of the Global North (Prince, 2012; Howlett and Migone, 2013; Wedel, 2014). Much of this research emphasizes that management consultancies offer their public sector and NGO clients *legitimacy* as well as expertise – ‘reputational intermediaries’ (Stone, 2004: 557). As long established purveyors of advice and practices to large *private* sector organizations in much of the industrialized world, their expertise is often treated relatively unproblematically, even to the extent that it should also be applied to public sector contexts, including public policy. Clearly this perception is in turn, deeply embedded in neo-liberal ideas of increasing the influence of private sector practices into government and undermining the notion of a distinctive public sector bureaucratic ethos (du Gay, 2009). Thus, much of the analysis of what is often termed the ‘consultocracy’ emphasizes that, within many national contexts, it has become increasingly legitimate to bring private sector ideas into government through consultancies, even if only as the ‘footsoldiers’ of the clients rather than innovators (Hodge & Bowman, 2006: 116).

It has long been suspected that something similar is happening in global or *transnational* public policy (Stone, 2004; 2012). However, there has been very little

research on management consultancy in this context (O'Mahoney and Markham, 2013). In this paper, we focus on the role of large consultancy firms. Specifically, we focus on mostly multinational consultancies, most of which are headquartered in the US and the UK with a network of offices spread across the most important economic centres of the world (Morgan, Sturdy, & Quack, 2006). Whilst there are differences in the origins, governance structures, business focus, reputation and rankings of these firms (Kipping & Kirkpatrick, 2013; Engwall et al. 2016), over time, significant similarities have developed around their 'professional' model and organisation of consulting (see David et al, 2013). In particular, given the intangibility of the product, heavy reliance is placed on relationships with clients and fostering the reputation for expertise and reliability through various signals or professional practices (Kipping, 2011). They also share a reliance and focus on multinational and transnational client bases, both as a source of income, networks and prestige and as a way of gaining a foothold in new geographical markets. Finally, the services offered typically include four elements offering expertise, legitimacy, the facilitation of internal organizational change and the provision of extra labour (so called 'body shopping') to help clients deal with new projects (Sturdy, 2011).

The global public policy sphere is particularly important for this group of consultancies. Firstly, many of their existing clients may be affected by the emergence of new transnational policies, approaches and regulations, making it important for LMCFs to keep themselves informed and act at this transnational level to support their existing clients. Secondly, this sphere offers potential new business as governments and firms respond to regulatory and policy changes, especially when consultancies are finding maintaining their existing markets and clients is increasingly difficult. Thirdly, LMCFs have the potential to be influential in global public policy because of its relative

permeability and the fact that it is sometimes substantially less organized than national policy domains (Seabrooke and Tsingou 2015). In national contexts, the key actors, institutional arenas, mechanisms of accountability and framing devices are generally well-known, even if contested. In the global sphere however, these phenomena often tend to be more diffuse and vary in their degree of organization enabling large multinational consultancy firms to access this arena. However, two key issues need to be considered in determining how this occurs. Firstly, how do these firms translate their legitimacy from within *national* public policy contexts to the *global* level? Secondly and just as importantly, what gives LMCFs the capacity to involve themselves in this arena and contribute to the formulation and framing of global problems, as well as engaging in development of possible solutions that are both technical and detailed in scope and also politically acceptable to powerful actors?

At the same time, LMCFs may also have certain vulnerabilities in this sphere which we wish to explore. As powerful and largely unaccountable actors and ones often cloaked in secrecy based around developing a corporate mystique and on claims to client confidentiality, consultancy is subject to considerable critique (Sturdy, 2009; Mohe, 2008). This critique of rule by the ‘consultocracy’ (Hodge and Bowman, 2006) takes various forms and is directed to some of the very qualities that make consulting attractive to clients such as its outsider status, generalized solutions and notional independence. In the public policy context, critiques are further directed towards a lack of transparency and accountability in contexts where such processes are normalized together with the high costs of consultancy services. Therefore our approach involves recognizing both the strengths and weaknesses of management consultancies in global public policy.

In order to explore the role of LMCFs, we firstly take a particular firm and case of global public policy - the global strategy-based consultancy, McKinsey & Co. and its central role in problem formulation and solution building in the REDD+ initiative. The acronym REDD stands for countries' efforts to reduce emissions from deforestation and forest degradation. In this programme, from 2007, McKinsey rapidly became what was described as the 'go-to' company for countries seeking advice on how to access funds from REDD+, an extension of the original REDD project. However, in 2011, its role was attacked by a number of NGOs, most prominent amongst them was Greenpeace. Subsequent to this, McKinsey's public involvement in REDD+ scaled down as more actors entered the processes of problem definition, solution identification and programme implementation. We then discuss the organizational strategy and structure of LMCFs like McKinsey which make them both capable of being influential in the transnational sphere and yet also vulnerable to criticism from competing actors.

### **Forming global public policy: the case of REDD+**

The origins of REDD+ lie in the gradual inter-twining of concerns over deforestation, particularly of tropical rainforests, and climate change. The question of deforestation first emerged in the 1980s, but little was done until the establishment of the Intergovernmental Panel on Climate Change (IPCC) in 1988, and the publication of its first major report two years later. The IPCC concluded that humanity's emissions are adding to the atmosphere's natural complement of greenhouse gases, and that this addition could be expected to result in increased global warming. The IPCC report and other publications at the time called attention to the fact that tropical forests are crucial to storing carbon emissions. That such forests were being cut down and not replaced as

a result of both legal and illegal logging was therefore a contributory cause. Following this report, in 1992, at the Earth Summit in Rio de Janeiro, governments agreed to the United Nations (UN) Framework Convention on Climate Change (UNFCCC) which has met annually since then and is supported by the UN secretariat. Its key objective was "stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system"( Article 2 of the UNFCCC adopted in 1992 available at <https://unfccc.int/resource/docs/convkp/conveng.pdf>). The Kyoto Protocol that was agreed upon in 1997, constituted the next step in the UN policy aimed at reducing emissions.

However, progress on forests through UNFCCC was slow and the initiative passed to NGOs and particularly to the idea of establishing forest certification. This involved setting up a multi-stakeholder framework of rules whereby forests could be certified as being managed in a sustainable manner. Forest owners and users of timbers were supposed to follow rules about what could and could not be used from forests and what should be planted in order to replenish timber stock (Gulbrandsen, 2010). FSC certification appeared as a badge on wood products in general and in the retail market particularly in furniture. As with other certification efforts, e.g. Fair Trade, the assumption was that aware consumers would buy FSC certified products. Voluntary codes put some pressure on producers via their reputation amongst consumers. In more recent years, the US government and the EU have also used these voluntary codes in association with their own regulatory efforts (Overdevest & Zeitlin, 2014).

In the early 2000s, as concerns about climate change escalated, the UN, the World Bank and a number of governments and NGOs became concerned that progress was too slow and using voluntary certification schemes was not a sufficient response (see Wright and Nyberg 2015). It was out of this concern that, at 'COP13' held in 2007, an action plan began to take form to encourage emerging economies to reduce emissions from deforestation and degradation (REDD) (Bok, 2014). Even at this early stage, McKinsey was involved and developing what became its key technical input to the process – the cost curve. As a 2008 report from their Australia office stated: "McKinsey and Company has worked with leading institutions and experts over the past two years to develop an understanding of the cost and potential of different options for reducing greenhouse gas emissions – first at the global level, then through country specific analyses including efforts in the UK, the US and Germany" (Lewis and Gomer, 2008).

The discussions at COP13 involved a marked shift back in terms of forest issues from voluntary self-regulation of producers to a focus on government action in emerging economies. The new policy was however couched, not so much in the language of regulation and enforcement, but rather that of 'incentives' and 'monitoring'. The REDD and REDD+ initiatives were to provide a financial value to the maintenance of forests to combat the idea that it was only by logging that forests could generate value. REDD+ extends REDD by emphasizing not just reducing emissions through stopping deforestation but also adding payment to affected parties to encourage them to take part in sustainable forest management, conservation of forests and the creation of carbon sinks.



Governments and companies were to receive funds according to how much carbon they kept locked up in their forests by ensuring that deforestation was reduced and forest resources managed better. First of all, this required other (e.g. western) governments, but also potentially and subsequently other actors such as large multinational corporations, the EU, the World Bank and national governments in the developed North to agree to put funds into a pot that could be used to create such incentives. Unlike carbon markets in other contexts however, the REDD+ system did not compensate or benefit the donor, e.g. in the form of generating carbon credits that could be used to offset carbon emissions in the donor's country. The scheme was given an initial impetus by the government of Norway coming forward and contributing funds to the REDD+ programme later followed by the US, the UK, Germany and other developed economies, together pledging around \$3.5bn by 2009. Interest in accessing these funds from countries with tropical forests was high.

Drawing on a variety of sources (*inter alia* Greenpeace 2011, Dyer and Counsell 2010; Bock, 2014; McDonald, 2013), we can show how McKinsey engaged with this developing process. First of all, in 2007 McKinsey developed a quantitative technique embedded in an analytical tool, which they described as the Marginal Abatement Curve (MAC). The role of the MAC was to evaluate how to produce the greatest effect on reducing emissions for the least cost. For example, would undertaking a certain activity or carrying it out in a new way lead to a saving for those involved, or a cost, and what would be the consequences for reducing carbon emissions? Thus, for example, it was found that switching from incandescent to LED lighting would save people money, but that the impact on carbon emissions would be relatively small. At the other end of the scale, fitting coal power stations with proper carbon capture and storage facilities would

be very expensive, but would have a much more significant impact on overall greenhouse gas emissions.

McKinsey investigated the cost and impact of around 40 such activities and produced a clear visual representation of this in a number of their publications. In particular, this revealed that reducing deforestation would lead to a significant positive impact on emissions at a relatively low cost compared to other abatement activities. In effect, it gave a substantial boost to both donor countries and to potential recipients to believe that providing financial incentives to reduce deforestation would be highly effective in terms of dealing with climate change. McKinsey had taken an active part in redefining or translating an abstract global "problem" into a seemingly concrete and manageable one, identifying 'quick wins' for those wishing to reduce emissions. The problem was articulated in practical terms (that is, it was identified through the use of a series of quantitative technical measures for understanding the relationship between costs and mitigation impacts). Once the problem was identified and the solutions appropriately ranked, then it was a simple question of getting on with implementing the solution. This opened the road for McKinsey to participate in developing (and selling) acceptable implementation plans and then for engaging in business relationships with clients through offering these solutions and implementation plans (Sturdy, 1997).

Why was it seen as legitimate for McKinsey to involve itself in this global policy arena? It is relevant to note that McKinsey has a long established reputation as an advisory and problem solving organization for both the public and the private sector going back some decades (McKenna, 2006; McDonald, 2013). It particularly cultivated a reputation for 'thought leadership' through its journal *The McKinsey Quarterly* and, subsequently,

through the *McKinsey Global Institute* which published freely available reports on a variety of issues. From 2000, McKinsey also established its *Climate Change Desk* to explore and shape the emerging debates in this particular area. It was therefore engaging with public policy, and particularly climate change, from relatively early on. It is important to recognize two aspects of this engagement. Firstly, McKinsey had substantial resources and organizational slack to invest in such activities without expecting an *immediate* payback. This reflects its business strategy and model which, whilst not unique in the area of professional service firms, is uncommon more widely, including in public policy domains. Secondly, it is important to highlight the contrast between the outward facing thought leadership of consulting on the one side and on the other the often highly secretive internal processes where proprietary knowledge is jealously guarded. The latter lie behind and follow on from the former in that tools and techniques are developed and client projects are conducted based on knowledge and techniques developed by McKinsey over decades and delivered by consultants trained and skilled in the implementation of this knowledge. It is because its clients believe that this knowledge and skill sets is (a) valuable and (b) not attainable or imitable elsewhere that McKinsey is able to generate its substantial revenues even in an increasingly competitive market for consultancy services.

The development of the MAC curve illustrates these phenomena. McKinsey has always kept the details of how it reached the MAC conclusions a secret, refusing to divulge details on commercial grounds. Yet its conclusions were significant for setting the agenda for global policy discussions amongst interested actors (international organisations, national governments, expert networks, NGOs and transnational social movements) in the period from 2009-2011. They also had very public consequences

even though the public was not able to evaluate in detail how these conclusions had been reached, McKinsey were not the only ones working on a MAC curve; there were academics also engaged in this and issuing words of caution (e.g. Kesicki and Ekins 2012). Nevertheless, in the first instance, policymakers accepted as legitimate McKinsey's data and model without subjecting it to rigorous analysis.

McKinsey did its best to place the model at the centre of the debate amongst governments and NGOs, drawing on its closeness to other powerful actors with their own claims to legitimacy in this field to reinforce the importance and validity of its model. McKinsey was instrumental in organizing a high profile meeting chaired by Prince Charles in May 2009, to raise awareness of the need for emergency action to reduce emissions from deforestation and degradation in tropical rainforests following the inconclusive outcome of the UN Bali climate change conference in 2007. Other high profile participants included Hillary Clinton, Nicholas Sarkozy, Angela Merkel, Kevin Rudd, Taro Aso, Susilo Bambang Yudhoyono, Jens Stoltenberg, Jose Manuel Barroso and Robert Zoellick. The involvement of political leaders reflects the effort to build legitimacy for the emerging new idea – the MAC curve and the key contribution of McKinsey – by mobilising a highly visible network of people perceived to be influential through their organizational roles, their own extended networks and their reputation for leadership in global affairs.

McKinsey moved swiftly to develop the business opportunity that was evolving. It produce tailored reports for both governments from the North interested in using deforestation as a way to mitigate climate change and governments from emerging economies with high levels of forestation (and deforestation) which would benefit if

they were able to successfully apply for funds under REDD+. The basic model was to show the long-term consequences of current rates of deforestation and carbon emission given trends in a particular country and then to identify how much would be needed to compensate the actors in that country sufficiently to cause deforestation to stop. Of course, the rate of deforestation depended on multiple factors, including the strategies of big logging companies, but also illegal loggers and, associated with that, weak, inefficient and often corrupt enforcement. These factors and others varied across countries and McKinsey offered its expertise to individual governments in low income countries which lacked the administrative capacity to do such analyses on their own to the level that would satisfy Western donors. McKinsey's involvement was reassuring to governments in the North who often part-funded reports. In this period (2009-2011) therefore, McKinsey were commissioned by a number of governments (e.g. Brazil, Mexico, Guyana, Indonesia, and Papua New Guinea) to prepare readiness plans which identified options for reducing deforestation.

However, Greenpeace (2011) and others like the Rainforest Foundation, and Friends of the Earth, subjected the assumptions of this model to severe critique from 2010 onwards. Reducing deforestation through stopping what was labeled as 'slash and burn' agriculture by indigenous peoples was deemed to be 'low hanging fruit' in the sense that it was low cost, but offered substantial savings. However, the criteria by which McKinsey managed to define the loss of aboriginal habitats and ways of life as 'low-cost' (i.e. little compensation) was never made explicit. On the other hand, McKinsey argued that encouraging large timber companies not to cut down forests was to be seen as a high cost to the companies. These firms therefore required high levels of compensation to cease this activity. Such arguments were challenged by Greenpeace

and others as projecting unsustainable and highly unlikely growth trends in terms of demand for forest products; more realistic projections would therefore reduce greatly the compensation needed for the large logging. To the NGOs, it became quite clear that McKinsey's priorities were with its private sector clients (such as the forest companies) and those in government who could buy their services and by implication they were relatively unconcerned about the fate of those who actually lived and survived in the forest. Governments with tropical rain forests were keen to access funds as soon as possible and were therefore willing to use McKinsey's services to produce a well-articulated case for their claims. According to REDD Monitor -- an independent website devoted to the exploration of "the contradictions and controversy" behind the REDD -- and other sources, McKinsey was also used by a lot of countries because at the height of initial REDD+ enthusiasm, they had the capacity to produce reports for potential recipient governments within a matter of weeks using their now well-established template.

Further research would be necessary to understand exactly how these emergent critiques impacted on REDD+, but what does appear clear is that the whole process suddenly slowed down at about the time the criticisms were at their height. In one review, Angelsen (2016) refers to the slow progress of REDD+ and the 'cynicism' surrounding it. No money has actually been handed out for REDD+ via the UN though there have been some bilateral REDD+ deals particularly with Norway, (Angelsen, 2016.) Instead, there has been substantial funding for 'capacity-building' activities to prepare for REDD+ funds. This reflects the degree to which, after 2011, the politics of REDD+ became more salient and funders and sponsors began to emphasize the need to involve and secure the support of different groups of forest stakeholders. Since the

sustained attack on McKinsey by NGOs in 2011, the firm has been less visible in the REDD+ process. Rather, through an initial process of capacity building, the UNFCCC has sought to engage a wider group of stakeholders and address some of the distributional issues associated with REDD + measures before actually disbursing funds.

### **The influence of Management consultancies in the global public policy arena**

The REDD+ example provides a useful context in which to understand how global management consultancies play a role in the formation of public policy. Although our focus has been on one company, McKinsey, it is clear that others have been involved. Deloitte, for example, has been involved in evaluating REDD+ projects emerging from cooperation between Norway and Tanzania. In Indonesia, the local managing director of Accenture became the inaugural head of Indonesia's REDD+ Management Agency in 2014, illustrating the close links that had emerged between the consultancy and REDD+ projects.

Central to this influence is that these organizations possess immense prestige and legitimacy from their decades of experience and contemporary networks with clients and elites more generally. In the case of REDD+, as Bock (2014) points out, donor countries and the UN were likely to take more notice of what McKinsey said about ways of implementing REDD+ than they were of NGOs, at least in the early stages. Similarly, in keeping with the legitimating role of external consultants and the high profile of McKinsey (McDonald, 2013), potential recipients could see that if they had reports written for them by the firm, and if they incorporated these suggestions into their funding bids, they were likely to get a more favourable hearing than if they either

did it themselves (usually impossible as few of them had the capacity to do so) or employed a less well-known and less networked company. This matches understandings and research on consultancy in other policy contexts (Stone, 2004) and more generally, where its legitimating function is as important as its expertise, and often more so (Sturdy, 2011).

Where does this legitimacy come from, and how impregnable or impervious is it to criticism? Existing literature on LMCFs provides some insights as to how McKinsey and others may have gained global authority and trust among REDD+ donors and clients. First, these companies are seen as repositories of expertise across a huge range of areas in business, management and the public sector. As Bock points out, this expertise is presented as ‘neutral’, as technical and ‘objective’. However, many commentators would also argue that this knowledge is far from neutral, and not simply in terms of reflecting their particular market interests (Wedel, 2014; O’Mahoney and Sturdy, 2016). It is typically based on neo-liberal frameworks where solutions to public policy problems are constructed through markets, privatization and private actors pursuing profit opportunities whilst public actors adjudicate and make sure that market failures do not occur (Jupe and Funnell, 2015). The fact that management consultancies hold their expertise as proprietary knowledge means that, unlike much of the knowledge generated in universities and public organizations, fundamental assumptions are not revealed or as open to scrutiny. As the REDD+ example and the role of the McKinsey MAC makes clear, the outside world is meant to ‘trust’ the technical calculations of the consultancies and is not given the tools or the data to ‘test’ or challenge them independently.



Central to this is that LMCFs cultivate a reputation for delivering public goods as well as gaining private profit. Their claim to ‘thought leadership’ is based on the idea that the LMCFs occupy a unique position where they can blend their own expertise with their massive practical experience on projects for all sorts of clients across many parts of the world. Their ‘thought leadership’ is therefore a ‘gift’ they bestow on the world and reflects the fact that as firms, they are responsible corporate citizens interested in exploring ideas and processes with other opinion-formers before such ideas become business opportunities. Their thought leadership becomes an input to defining or the co-construction of “problems” in the transnational sphere (Seabrooke & Tsingou, 2015). Thought leadership, for example, is visible at McKinsey in its sponsorship of the McKinsey Global Institute (MGI) and the *McKinsey Quarterly*. Both stand on the border between business schools and more client focused activities.

‘Thought leadership’ or attempts at contributing to debates in a manner which indirectly supports commercial interests, is, of course, a cost to the companies; it does not generate immediate revenue. It is not therefore a capacity that can be developed without having a business model that can support such non-revenue generating activities. This business model is essentially based on the consultancy firms’ ability to sustain a high-cost model justified by a belief amongst senior executives in clients that employing consultants can generate high value returns. Whilst this approach to consulting has recently come under some pressure from a variety of sources, such as cheaper competitors, clients using internal resources and the use of new technologies and outsourcing (Christensen et al, 2013; Sturdy, Wright, & Wylie, 2015), it also evolves and adapts in response to such challenges, including moving more than ever into public

sector business as private sector business has suffered from the financial crisis and recession (McDonald, 2013).

Secondly, legitimacy comes from a variety of features of the firms. One is their recruitment policy—to recruit the best and the brightest from the top universities and business schools around the world like other professional service organizations such as law firms and accountancies, (David et al, 2013). In doing so, they reinforce the image of themselves as a high pressure/high reward organization and the image of individual consultants as the best and the brightest, recruited seemingly because of their successful meritocratic performance at school and university (Khan 2010; Rivera, 2016). Characteristic of these emerging elites is that they do not enclose themselves in limited circles of social and cultural capital but on the contrary what they learn at private schools and elite higher education institutions is to navigate multiple social and cultural environments in a globalizing world.

Legitimacy also comes from the ability of the firms to undertake tasks quickly and effectively. This is possible because of the availability of expertise and the creation and leveraging of social networks (Maister, 2003). The firms recruit very large number of graduates at the bottom rung of the career ladder who are expected to work very long hours and show high levels of commitment. Such firms are willing to face high levels of attrition in the early years (up to 80% may leave in 5 years) (O'Shea and Madigan, 1997), as some people decide this is not what they want or it is decided for them, following frequent and intense staff reviews. Indeed, some firms operate a 'rank and yank' policy to ensure that each year a certain percentage of the cohort are ejected from the firm. This creates an intensely competitive atmosphere (Boussebaa, Morgan, &

Sturdy, 2012). Few of the original cohort are likely to make it all the way to the top of the firm, but in this way, recruitment and selection can produce highly loyal, highly competent and hard working employees.

These large numbers of early entrants constitute a huge, flexible and capable resource for the companies. It is a resource which can be mobilized quickly to deliver on projects driven by tight timetables, often in diverse cultural contexts. It is also a resource which is present in key economic centres across the world. Individuals can, in principle, be moved at relatively short notice from one geographical area to another (Pereira and Derudder, 2010). As global companies with highly integrated management, communication and information systems, teams can be assembled relatively quickly even if there may be resistances from some lead (e.g. US/UK) offices to giving up resources (Boussebaa, Morgan, & Sturdy, 2012). Such companies also develop shared proprietary knowledge resources such as the McKinsey MAC which are available across the organization in standardized knowledge banks. Clients can bring problems, even ill-defined problems, to these firms and know that they have the resources available quickly to help articulate the problem and co-produce or support an ‘answer’ (Sturdy, 2016). In an era that has been described as one of ‘fast policy’ (Peck & Theodore, 2015), management consultancies have a structure and strategy that enables them to respond. It is important however, to recognize that management consultants rarely fit the traditional image of the technical expert prescribing a solution to clients in a report (such as discussed in the chapter by Sending, this volume). Projects and client-consultant power and trust relations vary (Fincham, 1999), but most involve clients and consultants working together, such that ‘solutions’ are, to varying degrees, tailored to client needs (Sturdy et al, 2009).

Another strength of LMCFs is that in contexts where knowledge and its quality is highly uncertain, reputation is sustained, in large part, by social networks and associated trust relations (Armbruster, 2010). The phenomenon of revolving doors at senior levels of government is well-known in many countries and management consultancies provide many examples (see Craig, 2005), e.g. the example noted earlier of the Accenture executive in Indonesia becoming leader of the country's REDD+ management system. Just as important, but less visible, is how junior and middle ranks of consultancies participate in this process. As governments have thinned down their internal resources, the use of secondments from consultancy into middle ranks of the civil service to help form policies has become a naturalized part of government reflecting the increased interpenetration of public and private and the downgrading of the bureaucratic ethic as described earlier (Crouch, 2016). This solidifies connections and networks for when fast policy is required and can be associated with what has become known as '*double-dealing*' (Engwall and Kipping, 2006). In the REDD+ case, consultants help construct problems with regulatory bodies such as the UN or EU Directorates and then, subsequently, advise the organisations affected by the regulation they have helped to devise (also O'Mahoney and Sturdy, 2016; Wedel, 2014).

Probably the most significant networks for firms such as McKinsey are its former employees or alumni who often assume influential positions. McKinsey is widely known for its impressive alumni body and makes great play of it when, in other contexts, it can be very secretive (McDonald, 2013). No matter what the circumstances in which a person left, 'ranked and yanked', voluntarily leaving or being head hunted into a different organization, they are encouraged to think of themselves as members of

the extended McKinsey community. It is a badge of high status on the CV and offers a network of linkages across firms, across governments, across countries. While such a process operates in other professional services firms such as banking, and law, it is particularly visible in LCMFs where it is part of the attraction for joining: one will forever be marked as a McKinsey alumni in the same way one might carry the Harvard or Oxford connection through life as a marker of distinction.

### **Contesting consultancy**

It is however important to emphasize that this trust and legitimacy is fragile or, at least, subject to challenge. Both now and historically, consultants have been subject to critique, reflected in media and NGO scrutiny of their activities. An easy target has been the amount of consultancy fees which have been paid out by governments at a time of austerity particularly where there has been a failure to demonstrate a positive impact from their intervention. Another element of this process is revealed in the REDD+ case, where Greenpeace among others has argued that McKinsey's underpinning technical model and the recommendations emerging from it are shaped by their concern to protect the interests of their major corporate clients at the expense of the occupants of the forest (Shankland and Hasenclaver 2011). This reflects the critique (Wedel 2014) that they are closely identified with neo-liberal market ideas and practices, with the discredited elites who were responsible for the 2008 financial crash and with a set of interests and epistemology that enforces the power of the North and fails to recognize alternative subaltern voices from the South (Frenkel and Shenhav, 2012). This critique can, paradoxically, serve to reinforce their powerful position as they can serve as a distraction or a lightning rod to divert attention from the roles of

other actors such as politicians, policy makers and managers – consultants can be made scapegoats for failures elsewhere (Sturdy, 2009).

As consultancies move into more political and public policy issues, they become more visible and more susceptible to these sorts of campaigns which have potential to spill over into other areas and undermine their legitimacy. In that sense, consultancies face a dilemma arising from possible loss of reputation as they engage in more public policy matters. At a time when governments are still divesting themselves of a range of activities in response to austerity and neo-liberal ideas of new public management, consultancies have a potential large expanding market but the dynamics of working in the public arena are different from the private sector. Transparency demands in the public arena are much stronger than in the private sector where commercial secrecy can be invoked. Therefore consultancies may find themselves challenged to reveal their inner workings more than they have experienced in the past. Assumptions about pricing services which may go unchallenged in the private sector can lead to harsh and public criticism of value for money in the public arena. Consultancies might become cautious about how they intervene in public policy in order to avoid some of these transparency requirements or criticisms of their profitability. NGOs such as Greenpeace can considerably damage consultancies under some circumstances but rather than withdrawing altogether, consultancies may simply choose to participate in more closed networks and processes. It is important therefore to recognize the contested and contestable nature of their position, rather than treating them as all-powerful and all conquering.

## **Conclusions**

In this chapter, we have explored why and how international large management consultancy firms have become so important in global public policy. Whilst recognizing the value of explanations which point to the importance of expertise and the legitimacy which it generates as well as the embeddedness of this expertise in the dominant ideological framework of neo-liberalism, we have aimed to go beyond them in two ways. Firstly, we have argued that expertise and legitimacy are embedded in the particular global structures and strategies of these companies. As our REDD+ case suggests, in less organized, diffuse global policy arenas in which leadership is not formally granted to a single international organization, and where boundaries are fuzzy, coordination and control of the process of policy making is difficult to achieve. Here then, the global legitimacy and organizational capacities associated with the international LMCFs, appear to give them an advantage in determining the rules of the game. At the national level, other actors may have the necessary networks, knowledge and expertise – embeddedness - to compete with LMCFs and resist their solutions. In less organized or, at least, less established global policy arenas, no other single social actor has the necessary networks, capabilities and expertise that would be recognized by both global and local authorities in the global north and south, by governments and big corporations, to be able to shape and promote a global policy in the way that McKinsey has done.

Global consultancies' high cost/high value business model - whilst under threat from competitors and economic recession - still provides a level of resource that enables the firms to spend on 'thought leadership', a non-revenue generating activity, but one which facilitates the development of prestige and reputation and therefore, indirectly, revenue. This model is built on high leverage ratios and the recruitment of a veritable

army of the self-proclaimed ‘best and brightest’ to work on projects at short notice. Clients can expect ‘fast policy’ to be generated out of these structures. This is also reinforced by the development of secondments and internships from the management consultancy firms into government and regulatory organizations. The development of alumni networks as the cohorts of recruits are thinned out provides a further set of contacts that can be used to respond to the requirements of fast policy formation. The international nature both of these networks and of the firms and consultants themselves as well as their high levels of technical competence reinforces this ability to be present in the early stages of problem definition and identification as well as in the creation and implementation of solutions.

Paradoxically however, when LMCFs have very few potential competitors in the shaping of the global policy phase, their own work can contribute to the construction of a better organized and less diffuse policy arena. This institutionalization renders them more visible and less distinctive. Our second contribution then, of showing how these firms are not all powerful is reinforced, in that LMCFs can be challenged by NGOs and governments particularly as they step more clearly into the political, public policy arena. Furthermore, the trust they have established with their key clients elsewhere is less pervasive amongst the sorts of NGOs and social movements which have emerged in policy arenas more strongly since the 2008 crisis. On the one hand, LMCFs are tempted into this field by slower growth in the private sector and potential scope of reach, but on the other hand, this can open them up to more scrutiny and criticism. They therefore have to be prepared to develop new ways of doing business in the global public policy arena that reduce visibility and potential critique.



These conclusions are tentative; there is a need for much more research on different areas of global public policy in which consultancies have been active. Indeed, there remains a dearth of research on the power of consultancy in general, beyond studies of specific client-consultancy relations (O'Mahoney and Sturdy, 2016). Climate change, deforestation and carbon markets together offer many interesting empirical possibilities as do other areas, including the more established arenas of global public policy, such as health, demography, education, energy provision, food production and security amongst others. Although we have focused on some of the common characteristics of LMCs, there is a need to go beyond a single firm and case and look to other organizations, large and small to assess if their influence, methods and models differ significantly. Furthermore, with networks energized by individuals as well as firms and their reputations and with doors constantly revolving, it is important to follow the individuals, perhaps using different methods, such as shadowing, network analysis, prosography, and analysis of data collected from social media e.g. LinkedIn and Twitter. We have only touched the surface of consulting critiques and their sources and effects. Are such dynamics evident more widely among policy actors, including clients, and at what stages and what forms do they take? Finally, we still know very little of the market itself. What are the sources of demand for LCMF input, and how do they interact in this sphere with governments, international organisations and global civil society actors such as corporate philanthropy foundations, think-tanks, firms and lobbying organizations, NGOs and multi-stakeholder governance organizational forms? By pursuing some of these new research areas, a better understanding of the key actors in global public policy and their impact on outcomes is achievable.

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